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Spotlight

ON FOREIGN MARKETING

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U. S. DEPARTMENT OF AGRICULTURE



TO U.S. AGRICULTURAL ATTACHES AND FAS STAFF MEMBERS

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EXPORT CREDIT SALES INCREASING. Increased interest in the possibilities of credit for dollar purchases of U. S. agricultural commodities is being expressed by exporters, foreign importers and foreign governments. A recent sale to Mexico of \$6 million worth of corn under CCC's Export Credit Sales Program is an indication of this growing interest in credit financing of U. S. agricultural commodity exports.

The credit programs facilitate increased sales to dollar markets. They also help meet usual dollar marketing requirements where countries having Public Law 480, Title I sales agreements are having difficulty in meeting such requirements. Furthermore, they are being used to finance additional commodity requirements which cannot be met within the Title I funds available. In the case of certain countries, the programs may be considered as a "bridge" in shifting from foreign currency sales or barter to a dollar "cash-on-delivery" basis.

A supplement to this issue outlines for attaches and trade representatives the credit programs of the Commodity Credit Corporation and the Export-Import Bank of Washington. This will bring up to date information previously sent to all agricultural attaches. (See Department of State Instructions Nos. CA-8873 dated April 25, 1957, "CCC Permits Export Credit Sales of Wheat Under Special Circumstances," and CA-2463 dated September 18, 1956, "Financing of Dollar Purchases of Surplus Agricultural Commodities".)

Supplies of the CCC Export Credit Sales Program brochure for trade distribution were mailed to all attaches on July 5, 1957. There will shortly be a similar summary of the Export-Import Bank's program of financing agricultural commodities. Attaches should arrange to make this material on the credit programs available to appropriate Government people and the private trade.

RECOMBINED MILK IS AN IMPORTANT PRODUCT IN MANY COUNTRIES where fluid milk is in short supply. In its efforts to promote the building of recombining plants in such countries, the FAS Dairy and Poultry Division issued a special booklet on the subject in 1955. This publication has now been supplemented by a new pamphlet entitled: "How to Use Recombined Milk Ingredients in Manufacturing Dairy Products." It contains manufacturing procedures for making a variety of products, from buttermilk to yoghurt. Copies are being sent to all attaches.

NOTE TO ATTACHES: Although SPOTLIGHT is circulated only within the Department, individual items may be used in press conferences, or given directly to the foreign press and radio. All material is unclassified.

CCC COMMODITY SALES LIST FOR AUGUST: Butter, nonfat dry milk, cheddar cheese, wool, cotton (upland and extra long staple), peanuts, corn, wheat, oats, barley, rye, grain sorghums, soybeans, flaxseed, rice (rough and milled), dry edible beans, gum rosin, and gum turpentine.

Cotton linters have been dropped from the August list in anticipation that all stocks will have been sold under offers received July 31. Also, competitive bid sales of flaxseed for export have been discontinued because stocks have been reduced largely to less-than-carload lots.

Interest rates per annum under the CCC deferred payment program for August 1957 are 4-1/8 percent for periods up to six months, 4-5/8 percent for periods from over six and up to 18 months, and 5-1/8 percent for periods from over 18 months up to a maximum of 36 months.

COLOGNE FAIR TO BE A MAJOR MARKET PROMOTION. Plans are developing rapidly for USDA's biggest market promotion exhibit of the fall season-- at the ANUGA Fair in Cologne, Germany, September 28-October 6. This will be the second showing of the demountable exhibit which was first shown at Barcelona in June.

Although less space is available at Cologne than at Barcelona, the exhibit is being adapted to provide facilities for strong promotion of the largest possible array of commodities. Products to be featured include lard and meat products; fresh, dried and canned fruits; tobacco; poultry products; grains; honey; and frozen foods. There will be a fully equipped kitchen for cooking demonstrations, with adjoining dining room, and a samples counter for the distribution of cooked poultry, as well as ample office conference room facilities for use by market promotion representatives of industry and Government. The exhibit will be directed by John J. McCracken, assistant chief of the FAS International Trade Fairs Branch.

This will be USDA's second successive appearance at the biennial Cologne Fair. FAS launched its trade fair program there in the fall of 1955.

PROPOSAL TO RAISE QUALITY STANDARDS OF APPLES FOR EXPORT. The Department is now studying a proposal to raise the minimum export grade of apples from U. S. Utility to U. S. No. 1 Cookers. U. S. No. 1 Early grade will be continued as the minimum export requirement for early varieties. This is the first time that changes in grading requirements have been made since the Export Apple and Pear Act went into effect in 1933. Action regarding the change is expected by early September.

VENEZUELA IMPORTS PUREBRED LIVESTOCK. The Venezuelan Ministry of Agriculture has recently imported 66 purebred Rambouillet sheep and 92 purebred hogs from the United States by air freight. The sheep are the first of a lot of 400 purchased in the U. S. for resale to Venezuelan breeders.

This is the first importation of United States sheep into Venezuela by the Ministry of Agriculture since 1945 when 75 Dorsets were imported by sea. During the last few years, the Venezuelan Ministry of Agriculture has been instrumental in importing several thousand head of improved hogs for resale to Venezuelan farmers.

"AMERICAN FRUITS FOR THE WORLD" will shortly be off the press in Vienna, Austria. This new, four-color, four-language (English, French, German, and Spanish) booklet illustrates and describes the principal American fruits (fresh deciduous, fresh citrus, canned citrus, canned deciduous, dried fruits and tree nuts). It shows where fresh fruits are grown, when they are marketed, and gives some fundamental guides on buying.

The booklet has been prepared as a market development project under Sec. 104(a) of P.L. 480. It is intended primarily for foreign fruit importers. Distribution will be made through agricultural attaches.

A supply will be shipped to all attache posts soon. Additional copies can be ordered on the basis of 60% of the initial delivery. Old World posts can place orders with the attache's office in Vienna; in South America, from Rio de Janeiro, and in Central and North America, from the Fruit and Vegetable Division, FAS.

CCC SALES FOR EXPORT. The last of the CCC inventory of cotton linters were sold early in August. This sale takes CCC out of the linter business. The Department had announced previously that it would attempt to sell between 10 to 12 thousand bales every other week in the hope of disposing of its entire inventory before the new crop year (August 1). This goal has been attained. Sales of the 1956 crop of flaxseed are virtually completed, with only small lots remaining. About 15 1/2 million bushels were sold for export as flaxseed or as linseed oil.

EL SALVADOR BUYS U.S. HOGS. Recent sale was 60 pedigreed Duroc hogs (15 boars, 45 sows). Sales arrangements were made through the American Duroc Record Association, Miami, Florida. Hogs being sold to improve existing herds. Sale was for U.S. dollars. Potential for livestock sales in country is good.

LABOR EFFICIENCY ON U. S. FARMS. The amount of labor required for the production of field crops in the U. S. has greatly decreased as a result of rapid technological progress.

Introduction of new machinery, improved seed varieties and fertilizers, and the use of more efficient techniques on U. S. farms has made it possible for one farmer to produce a greater volume of commodities than ever before. The efficiency of farm labor in the production of four different commodities within the respective prime producing areas is illustrated in the following table.

LABOR REQUIRED FOR U. S. FARM PRODUCTION

Commodity	State	Man-hours per short ton
Rice	California	6.9
Wheat	Kansas	7.8
Corn	Iowa	6.5
Soybeans	Illinois	7.1

Source: Hecht, Reuben W., and Vice, Kieth R., Labor Used for Field Crops, Stat. Bulletin No. 144, USDA

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TABLE I, GUIDE TO COMMERCIAL SALES

Commodity	Unit	Grade, Type or Variety	Location	Latest Price week of 8/16/57	Price Year Earlier
Wheat	Bushel	#2 H. W.	Galveston	\$2.31-2.43	\$2.35-2.43
"	"	#1 S. W.	Portland	2.26	2.12-2.13
"	"	#2 S. R. W.	Baltimore	2.35	2.35
Grain Sorghum	100#	#2 Yellow Milo	Ft. Worth	2.03-2.08	2.42-2.47
Beans	"	#1 Gr. Northern	Idaho Points	6.90-7.00	6.70-6.80
Cottonseed Oil	Pound	B.P.S. Y.	Sept. Fut. N. Y.	.1506	.1468
Soybean Oil	"	Refined	New York	.1400	.1475
Cottonseed Oil	"	Crude	Valley	.1300-.1312	.1250
Soybean Oil	"	Crude	Decatur, Ill.	.1138-.1150	.1175
Linseed Oil	"	Raw	Minneapolis	.1320	.1300
Soybeans	Bushel	#1	Chicago	2.48	2.52
Lard	Pound	Refined 50# tin	Chicago	.1450	.1425
Tallow	"	Prime Inedible	Chicago, FOB	.0775	.0625
Greases	"	Choice White	" "	.0850	.0650
Cottonseed Meal	Sh. Tn.	41% Bagged	Memphis	60.00	66.00
Soybean Meal	Sh. Tn.	44% Bagged	Decatur	52.00	58.00
Cheese	Pound	Cheddar	Wis. Prim. Mkts.	.34125-.3600	.34125-.3600
Milk, Evap.	Case	48-14 1/2 oz.	Pac. Cst. Mkts.	5.95-6.45	5.80-6.30
Eggs, shell	Doz. Med.	Mixed colors	New York	.35-.36	.355-.36
" dried	Pound	Whole	" "	.98-1.03	1.10-1.23
Beef Trimmings	"	75-85% lean froz.	Chicago	.29	.19
Beef Hearts	"	Regular frozen	"	.23	.1175
Beef Livers	"	" "	"	.175	.135
Pork Trimmings	"	" "	"	.24	.14
Chicken	"	Gr. A Broilers R.C.	New York	.345-.375	.32-.355
Turkey	"	Gr. A Tom. R. C.	New York	.345-.355	.33-.35
Canned Apricots	Doz. #2-1/2	Choice Halves	FOB-Calif.	3.00	3.15
" Peaches	Doz. #2-1/2	" "	" "	2.60	2.725
" Pears	Doz. #2-1/2	" "	" "	3.50	3.50
Grapefruit Secs.	Doz. #303	Fancy, Lt. syrup	FOB-Florida	1.60	1.55
Orange Juice	Doz. 46 oz	Sweetened	" "	2.25	2.85
Oranges, Fresh	Std. Ctn.	Size 163	FOB-Calif.	1.75	--
Lemons, Fresh	Std. Ctn.		" "	2.52	2.60
Raisins	Lb. Bulk	Natl. Thompson	FAS-Calif.	.1275-.13	.12
Prunes	Pound	80-90	" "	.10-.11	.12-.125

TABLE II, C.C.C. PORT PRICES FOR EXPORT

Commodity	Unit	Grade, Type or Variety	Port Location	Latest Prices	Date of Sales 1957
Cotton	Pound	Upland	Any U. S. Port	\$.2754	July 23
Cotton, Linters	"		" " " "	5.01 - 7.25	July 31
Rice	Cwt.	Milled - No. 4	F.A.S. Gulf	6.55 - 7.11	July 29
Barley	Bushel	No. 2 2-row or 2-row Western Barley	N. W. Ports	.91-1/8 - .92-1/8	July 29-Aug. 2
Corn	Bushel	No. 2 Yellow	Pacific No. Atlantic	.92-1/8 1.32-3/4	July 29-Aug. 2
Oats	Bushel	No. 3 H. White & No. 3 Red	No. Atlantic	1.46 - 1.49-1/2 .51-3/8 - .52-1/8	July 29-Aug. 2
Peanuts	Pounds	Farmers Stock	Gulf Ports	6.66 TKC	July 29-Aug. 2
Butter	Pound	Grade A	Any U. S. Port	.39 (fixed)	July
Milk, NFDS	"	Spray	" " " "	.099 (fixed)	July
Wool	"	1/2 Blood	Boston	1.52	July
Tobacco	Pound	Staple & French 1947-50 Crop Fire & Air Cured	At warehouse	.10 - .25 (bid price)	July
Beans	Cwt.	Small Reds	Pacific Area	6.91	July 29-Aug. 2
		Red Kidney	Warehouses	7.17 - 7.25	" "
		Great Northern	"	6.295 - 6.40	" "
		Large Limas	"	6.56 - 6.52	" "
		Baby Limas	"	2.95	" "

EXPORT CREDIT PROGRAMS FOR FINANCING DOLLAR SALES OF U.S.
AGRICULTURAL COMMODITIES

CCC Export Credit Sales Program.

The CCC credit program is designed to facilitate CCC commodity dollar sales through private trade channels. It enables U. S. exporters to purchase commodities in CCC inventory and tobacco under loan to CCC on a deferred payment basis for periods up to three years. Since wheat is not normally exported from CCC stocks, CCC credit is not normally granted for wheat exports. However, hard red and hard winter wheat may be sold under the credit program if, in the absence of CCC credit, sales of U. S. wheat for export could not be made.

Interest is charged at the rate in effect when the commodities are purchased from CCC. Interest rates are announced each month in the CCC Monthly Sales List. In credit transactions where the period runs for more than six months, the U. S. exporter extends the credit to the foreign importer. Since the credit gives exporters and importers more time to arrange for conversion of foreign currencies into dollars and meet other market requirements, increased sales are made possible. For periods of six months or less, different treatment is given in the payment of interest, interest rates, bank obligations etc.

For all purchases made under the program, an assurance of payment is required from a bank in the United States. This bank obligation is usually in the form of an irrevocable letter of credit authorizing CCC to draw on the bank for payment at the end of the credit period if payment has not been received from another source. A foreign agency bank licensed under New York law will qualify as a bank in the United States.

Upon acceptance by CCC of the bank obligation, CCC does not hold the exporter responsible for payment, but looks only to the U. S. bank for payment. The U. S. bank obligation may be obtained on the strength of the importer's line of credit through his bank or, if the U. S. exporter desires, by using the exporter's line of credit. The importer's line of credit has been used in most of the other CCC credit transactions approved thus far.

Purchases of commodities on credit are made in accordance with the applicable CCC export sales announcements. In accordance with these announcements, the exporter presents to CCC proof of exportation of the commodities or substitute commodities as provided in the announcement after the commodities have been exported. Although the exporter is not obligated to buy commodities from CCC when granted a credit approval, if he is going to use the credit extended he must purchase the commodities within the purchase period specified in the credit arrangement.

Provisions of Public Law 664, 83rd Congress (the Cargo Preference Act requiring shipment on U. S.-flag commercial vessels) are not applicable to export sales under the CCC credit program when credit is extended by U. S. exporters to private importers abroad.

Applications for credit approvals are made by U. S. exporters to the Office of the General Sales Manager, Commodity Stabilization Service, U. S. Department of Agriculture, Washington 25, D. C. under credit announcement GSM-1, Revised, 1/

1/ Exporters desiring to purchase tobacco on credit will apply under GSM-2.

giving: (a) the dollar amount of commodities desired to be purchased; (b) the commodity or commodities desired, class, grade, quality, and quantity; (c) the period during which it is desired that purchases be made; (d) the period of deferred payment desired; (e) in the case of deferred payment periods of over six months, the extent to which credit will be extended to the importer; (f) the name of the bank in the U. S. which will assure payment and the type of obligation which will be submitted.

Foreign importers desiring information about the CCC program should be advised to contact a U. S. exporter, U. S. bank, or U. S. agricultural attache. European importers may also consult Mr. Hayden J. Bennett, European Representative of CCC, C/O American Embassy, The Hague, Netherlands. Importers or foreign governments through their Embassies in Washington may also get in touch with the Office of the General Sales Manager, Washington, D. C.

Export-Import Bank Financing

The Export-Import Bank of Washington's activity in financing exports of agricultural commodities complements the CCC Export Credit Sales Program. In contrast to the CCC program which is operated through U. S. exporters and banks in the United States, the Export-Import Bank program works through foreign importers, foreign banks or in some instances foreign governments.

In the past, the Export-Import Bank has granted loans to Governments or Government banks for the purchase of U. S. surplus agricultural commodities, principally cotton, the credit being passed on in turn to local importers or processors of cotton at interest rates substantially lower than those available from local banks. The principal beneficiaries of such loans have been Japan, Austria and Spain. Basically, this type of loan does not differ substantially from those to individual importers described in the following paragraphs except that the interest rate has usually been lower, and the term longer than would be permitted under the latter. Historically, these differences arose from the fact that the pattern of such loans was established when U. S. cotton was selling at a competitive price disadvantage in world markets. In recent transactions with established customers, even after American cotton had become competitive, these differences have been continued to some degree.

On September 11, 1956, the Export-Import Bank of Washington announced its plan of stepped-up assistance in financing exports of surplus U. S. agricultural commodities on a short-term basis. Under this plan, the Bank is prepared to receive applications from overseas buyers or their banks for dollar credits to aid in obtaining U. S. agricultural surpluses in situations in which adequate credit is not available from the usual commercial sources.

Dollar loans for this purpose are extended for periods of from six months to one year; longer terms may be authorized when warranted by special circumstances. No application forms are required; application may be made by a letter to the Bank which includes all of the information on which the applicant relies in making his request.

Credits generally are extended to a commercial bank abroad to finance purchases by a foreign importer, or to the importer himself where a guaranty of payment signed by his own bank is offered. Such guarantee takes the form of an unconditional endorsement by the foreign bank of the dollar drafts or notes of the overseas importer.

These credits, like all Export-Import Bank loans, are not authorized in cases where financing is available from private sources. Thus each letter of application for a loan should demonstrate that efforts have been made to finance the transaction privately, and should state why such efforts were unsuccessful. Each application also should give reasons why the credit terms requested are necessary and should show why the transaction could not be concluded for cash or with payment in a shorter term than the one proposed.

Where the application is presented by an overseas importer with the guaranty of his bank, a published or certified current financial statement of the importer is desired by the Export-Import Bank. Included also should be a statement of the volume of imports, of commodities like those for which financing is desired, which were handled by the importer during the preceding year. Moreover, the letter of application should name the commercial bank whose guaranty of payment by the importer would be available

When Ex-Im Bank financing is provided, it is generally accomplished by means of letters of credit issued by U. S. commercial banks in the customary manner under Ex-Im Bank guaranty. Before letters of credit are issued, the borrower must have supplied Ex-Im Bank with certain information and assurances such as, where necessary, an undertaking on the part of the appropriate government officials of the importing country that dollars will be made available to pay drafts when due. Detailed procedures to be followed in connection with such payments are furnished the interested parties by Ex-Im Bank at the time credits are approved.

Commodities exported from the United States with the assistance of Export-Import Bank loans must be shipped in vessels of U. S. registry unless and to the extent that a waiver is obtained from the U. S. Maritime Administration. Such waivers may be obtained from the Maritime Administration for up to the full amount of an export if U. S. vessels are not available and, where U. S. vessels are available, for up to one-half of the export provided such portion is carried on vessels of the importing country and the waiver is regarded by the Maritime Administration as appropriate.

Exports of agricultural commodities financed with the assistance of the Export-Import Bank should not be destined for reexport. Each credit application, therefore, should include a statement that the commodity to be financed (as well as the products into which it may be processed, unless otherwise agreed by the Bank) is intended for consumption in the country of import.

Credits authorized by the Export-Import Bank, together with interests on amounts outstanding from time to time, are payable only in United States dollars. No commitment fees are charged. Where U. S. commercial banks are asked by overseas importers having such credits to open letters of credit for the benefit of U. S. exporters, the Export-Import Bank will work out an arrangement with the U. S. commercial banks to guarantee the letters of credit and to reimburse them for payments made thereunder.

A comparison of the two programs with regard to their key provisions is given in the attached chart.

	EXPORT-IMPORT BANK FINANCING	CCC EXPORT CREDIT SALES PROGRAM
COMMODITY	Barley, cheese, corn, cotton, dry edible beans, flaxseed, grain sorghums, gum rosin and gum turpentine, non-fat dry milk solids, butter, dry whey, butter oil, dried buttermilk, whole milk powder, evaporated and sweetened condensed milk, oats, rice, rye, soybeans, tobacco, wheat, wheat flour, cottonseed, linseed and soybean oils.	Limited to commodities in CCC inventory and tobacco under loan to CCC. Commodities currently in CCC inventories are as follows: butter, non-fat dry milk, cheddar cheese, wool, cotton, peanuts, corn, wheat (under special circumstances), oats, barley, rye, grain sorghums, rice, dry edible beans, gum rosin and gum turpentine.
AVAILABILITIES		
LENGTH OF CREDIT PERIOD	Usually six months to one year	Up to three years
INTEREST	Recent loans have been made at 5-1/4%; however, future loans will be made at rates dependent upon market conditions.	Announced each month; August 1957 rates per annum: Periods up to six months - 4-1/8% Periods 6 to 18 months - 4-5/8% Periods 18 mos. to 3 yrs. - 5-1/8%
RATES		
CARGO PREFERENCE ACT	Applies in all cases. (Waivers up to 50% have generally been granted)	Does not apply as a general rule.
CREDIT BENEFICIARY	Credit extended to foreign importer or foreign bank which finances purchases by foreign importer.	Credit extended to U. S. exporter who in turn extends credit to foreign importer.
BANK OBLIGATION	Foreign bank guarantee required if borrower is a foreign importer.	Assurance of payment from bank in U. S. required. A foreign agency bank licensed under New York law will qualify as a bank in the U. S.
METHOD OF APPLICATION	Letter from foreign importer or foreign bank to Export-Import Bank of Washington, Washington 25, D. C.	Letter or wire from U. S. exporter to Office of the General Sales Manager, Commodity Stabilization Service, U. S. Department of Agriculture, Washington 25, D. C.